

'03

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Fiscal Section

On the following pages, DNR accounts for the revenue it generated and expended during Fiscal Year 2003 (FY 03), including how revenue was generated and distributed on behalf of the state trusts whose land DNR manages.

Distribution of revenue is governed by statute, and varies according to trust, land type, and activity.

DNR's land management activities and expenditures are investments in the long-term health and productivity of the resources entrusted to its care.

The 2003 fiscal section was previously published on DNR's website. Since then, some revisions have been made for clarity, including expanded fiscal notes and how information is displayed. Page numbering and references have also been changed.

About these pages

► Fiscal information is presented as a combination of tables, pie charts and notes, and progresses from a broad overview to the more detailed accounting for individual trust beneficiaries, and is divided between state grant lands and Forest Board Lands. (There is no individual page for the Community College Forest Reserve Trust because of the low activity on these trust lands. See "Funds Administered by Other Entities," page 23, for distribution to this trust. All revenue was from timber sales.)

► The numbered fiscal notes at the beginning of the section (pp. 17-19) are critical to understanding the content of the tables. These notes are referenced by numerical superscript. Other notes may appear at the bottom of a page, in italics.

► Introductory notes on each page provide context for the contents of the page.

► Underlined bold numbers are totals or subtotals. The thickness of the line reflects the level of the total. Some pages have a total (thickest line), subtotals and sub-subtotals (thinnest line).

► Note that some pages show dollars in thousands. Also, totals may not add due to rounding.

Acronyms

ACTMA	Agricultural College Trust Management Account
ALEA	Aquatic Lands Enhancement Account
CEP&RI	Charitable, Educational, Penal and Reform Institution Trust
COLA	Cost of Living Adjustment
CWU	Central Washington University
EWU	Eastern Washington University
FDA	Forest Development Account
FY03	Fiscal Year 2003 (July 1, 2002 – June 30, 2003)
K-12	Kindergarten-12th grade schools
RMCA	Resource Management Cost Account
TESC	The Evergreen State College
UW	University of Washington
WSU	Washington State University
WWU	Western Washington University

NOTE: In FY2002, DNR undertook an agency reorganization. As a result, the names or groupings of certain activities changed. This report's information for line item activities has been kept as compatible as possible with prior reports.

FISCAL NOTES 2003

These numbered notes are referred to on the following pages.
A note may apply to more than one page. Although similar to notes
in prior reports, these notes apply only to this report (2003).

1 REVENUE/EXPENDITURE CATEGORIES

Timber sales-related activities include contract extensions, slash disposal, trespasses, and default settlement payments.

Miscellaneous sales include publications, GIS data, honor camp activities, and surveys and maps.

Miscellaneous leases include special use and special forest products.

Miscellaneous revenue from Aquatic activities includes timber sale-related activities; permits, fees and related charges; special use; and miscellaneous prior period adjustments, if any.

Agency support activities include the following programs: Human Resources (personnel, safety, training), Financial Management (accounting, risk management, purchasing), Information Technology, Geographic Information Systems, Facilities, and Region Administration.

Administration includes Executive Management, Internal Audit, Communications, and Budget & Economics.

Interagency payments are payments made to other state agencies such as the Attorney General, State Auditor, General Administration, Dept. of Personnel, Office of Financial Management, Dept. of Information Services, OMWBE, and Secretary of State.

Capital expenditures: Facilities has been added as a new category for the FY03 annual report. FY02 line items were adjusted to keep activities compatible. Miscellaneous activity includes expenditures for Larch Mountain Road totaling \$1,471,994 for FY03. Real estate and property acquisition figures for FY03 reflect the lifting of a temporary freeze that had been put on capital expenditures by the Governor's Office, and which had limited transactions under the Trust Land Transfer program in FY02.

2 PERMITS, FEES, AND RELATED CHARGES

Includes surface mining permits, log patrol licenses, aquatic lands dredged material disposal site fees, forest practices damage assessments and permits, survey records recording fees, application/assignment fees, burning permit fees, and local government assessments.

3 OTHER REVENUE

FY03 interest income includes interests from negligent fire billings that were written off due to bad debt.

Miscellaneous revenue includes prior period adjustments and recoveries of prior biennium expenditures, as well as revenue from the Off-Road Vehicle and Natural Resources Conservation Areas Stewardship accounts.

4 LAND TRANSFER

Real property replacement: During FY03 a total of \$10,290,315, an amount equivalent to the property value, was received from (1) transfers to other government entities, (2) resolution of trespass violations, or (3) transfers in lieu of condemnation. The above amount includes interest earnings. This money is used to acquire replacement trust lands.

Trust Land Transfer: During FY03, a total of \$25,425,999 was generated from the Trust Land Transfer (TLT) program.

5 LAND BANK

DNR uses the Land Bank program to reposition trust land assets for better future income production. Legislative intent is for revenues from trust property sales to equal or exceed the cost of trust property purchases. However, during any one fiscal year the transactions may not balance (e.g., a property has been sold, but property to replace it has not yet been purchased). Land bank transactions are accounted for by trust within each of the department's management funds.

Revenues from FY03 sales and existing contracts was \$6,346,480 to the Resource Management Cost Account (Common School trust). A total of \$1,427,712 is reserved to acquire property to replace Common School trust property previously sold through the "sell first" process of the Land Bank program. Proceeds of land sales made under the "sell first" process are held in the RMCA pursuant to RCW 79.19. The amount is used solely to acquire replacement Common School trust property on an equal value basis.

6 OFF-ROAD VEHICLE (ORV) ACCOUNT

This fund provides for acquisition, planning, development, maintenance and management of ORV recreation facilities, non-highway roads and non-highway road recreation facilities; education and law enforcement programs related to non-highway vehicles; and construction and maintenance of campgrounds and trailheads.

DNR, the Department of Fish and Wildlife, and the Parks and Recreation Commission spend from the fund in support of these functions. The Department of Licensing collects revenue for the fund, and DNR administers the fund according to Legislative appropriations. The deficit revenue in the DNR-Administered Funds section of this report (page 22) is the transfer of revenue to fund 406 (Salary/Insurance Increase Revolving Fund).

The following is the fund total fiscal activity for FY 2003:

Beginning Balance	\$820,351
Revenue:	
Licensing	\$1,994,553
Expenditures:	
Natural Resources	\$(1,622,000)
Fish and Wildlife	(217,444)
Parks and Recreation	(134,391)
Expenditure Subtotal	(1,973,835)
Operating Transfers	(49,172)
Net Fiscal Activity	(28,453)
Ending Balance	\$791,898

7 AQUATIC LANDS ENHANCEMENT ACCOUNT

This fund provides for the purchase, improvement and protection of aquatic lands for public purposes. DNR, the Department of Fish and Wildlife, the Department of Agriculture, the Parks and Recreation Commission, and the Interagency Committee for Outdoor Recreation spend from the fund for these purposes. DNR administers this fund, and only the DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 22).

The following is the total fund fiscal activity for FY 2003:

Beginning Balance	\$5,115,347
Revenue:	
Natural Resources	\$10,594,481
Fish and Wildlife	76,288
Distribution to Fourth Class Towns	(87,467)
Revenue Subtotal	10,583,302
Expenditures:*	
Natural Resources	(\$4,284,267)
Fish and Wildlife	(2,986,411)
Parks and Recreation	(205,516)
Agriculture	(1,811,702)
Interagency Comm. for Outdoor Rec.	(131,738)
Expenditure Subtotal	(9,419,634)
Net Fiscal Activity	1,163,668
Ending Balance	\$6,279,015

*Expenditures for other agencies include Operating Transfers, if any.

8 DERELICT VESSEL REMOVAL ACCOUNT

This fund provides for costs and reimbursements to authorized public entities for the removal of derelict and abandoned vessels. The Department of Licensing collects revenue for the fund, and DNR administers the fund according to Legislative appropriations. DNR spends from the fund for these purposes and the Department of Licensing spends from the account for the purpose of administering the collection of revenue for the fund. Only DNR fiscal activity is reported in the DNR-Administered Funds section of this report (page 22).

The following is the total fund fiscal activity for FY 2003:

Beginning Balance		\$0
Revenue:		
Licensing	\$392,096	
Revenue Subtotal		392,096
Expenditures:*		
Natural Resources	(124,400)	
Licensing	(68,840)	
Expenditure Subtotal		(193,240)
Net Fiscal Activity		198,856
Ending Balance		\$198,856

*Expenditures for other agencies include Operating Transfers, if any.

9 FDA/RMCA LOAN REPAYMENT

Board of Natural Resources resolutions #635 in 1990 and #756 in 1992 authorized settlement of the FDA debt to the RMCA by transferring timber-cutting rights on Forest Board Purchase lands to the Common School, Capitol Building, Normal School, and University granted trusts. A one-third interest in assets (timber-cutting rights) of the FDA on 35,655 acres was transferred to these trusts. The value of these transfers eliminated the debt between FDA and RMCA.

A total of \$3,749,218 was distributed to the trusts from timber harvested during fiscal year 2003. The RMCA received \$937,305 from this activity. Because this is repayment of a loan, the transactions are recorded as an operating transfer rather than as current period revenue.

The values from the harvest activity by fund, as well as RMCA trust for FY 2003, and in total since the adoption of resolution 635 in 1990 are:

	FY 03	Total
Common School Construction Account	\$981,965	\$13,111,670
Capitol Building Construction Account	374,325	4,998,169
Normal School Permanent Account	1,198,249	15,999,600
State University Permanent Account	257,374	8,630,263
Total Trust Funds	\$2,811,913	\$42,739,702

Resource Management Cost Account

Common School Trust	\$327,662	\$4,364,946
Capitol Building Trust	125,003	1,665,663
Normal School Trust	398,849	5,313,008
University Trust	85,791	2,876,755
Total RMCA	\$937,305	\$14,220,372

10 OPERATING TRANSFERS

According to the Office of Financial Management's interpretation of generally accepted accounting principles, debt service funds (funds used to pay off debts), such as the UW or WSU Bond Retirement accounts, cannot receive revenue directly. Instead, revenues to these two funds are recorded to the respective permanent funds, and then an operating transfer is made to the appropriate debt service fund.

Other operating transfers include transfers attributed to prior period revenue.

11 TRUST FUNDS - CURRENT AND PERMANENT

Trust Current Funds are funds that individual trust beneficiaries can draw from. *Trust Permanent Funds* are endowments which generate interest that can be transferred to the Current Funds.

12 NATURAL RESOURCES EQUIPMENT ACCOUNT

Total all funds and activity does not include funds classified as internal service funds. The Natural Resources Equipment Account is DNR's only internal service fund. This fund is used to maintain, replace and provide equipment to DNR's programs on a rental basis. In 2003, this fund had revenue of \$16,029,766 and expenses of \$11,383,196.

13 RMCA PORTION OF TRUST LAND REVENUES

On most transactions, the Resource Management Cost Account receives 25 percent and the trusts receive 75 percent of revenues from trust lands. However, some transactions are subject to a different distribution ratio. These transactions include aquatic resources, miscellaneous non-trust revenues, interest earnings, land sales transactions and interfund loan repayment, the latter of which affects the Common School, University, Capitol Building and Normal School trusts. As a result, revenue on individual trust and grant lands summary pages may not reflect the usual 25 percent/75 percent distribution.

The tables below reflect trust activity with Forest Board Repayment activity. Refer to fiscal note #17 for trust activity related to the University Trust.

COMMON SCHOOL / ESCHEAT TRUST

Source / Activity	Total Revenue	Com. Sch. Construct.	Com. Sch. Perman.	RMCA
Trust Activity				
Timber sales	\$38,616,816	\$28,962,635	\$0	\$9,654,181
Timber sales-related	271,174	203,243	0	67,931
Leases	16,195,377	11,722,985	408,466	4,063,926
Late interest	40,100	22,946	0	17,154
Fees/service charges	56,281	1,729	0	54,552
Operating transfer - in	1,309,627	981,965	0	327,662
Subtotal	56,489,375	41,895,503	408,466	14,185,406
Forest Board Repayment				
Sales	1,309,956	0	0	1,309,956
Operating transfer - out	(1,309,628)	0	0	(1,309,628)
Total trust activity	56,489,703	41,895,503	408,466	14,185,734

Non-Trust Activity

STO interest	55,720	28,041	0	27,679
Land sales/trust land transfer	30,884,479	25,425,999	0	5,458,480
Other Revenue	(171,178)	0	116,361	(287,539)
Total non-trust activity	30,769,021	25,454,040	116,361	5,198,620

TOTAL	\$87,258,724	\$67,349,543	\$524,827	\$19,384,354
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CAPITOL BUILDING TRUST

Source / Activity	Total Revenue	Cap. Bldg. Construct.	RMCA
<u>Trust Activity</u>			
Timber sales	\$6,413,495	\$4,810,122	\$1,603,373
Timber sales-related	8,813	5,341	3,472
Leases	159,629	119,196	40,433
Late interest	605	453	152
Fees/service charges	3,794	0	3,794
Operating transfer - in	499,328	374,325	125,003
Subtotal	7,085,664	5,309,437	1,776,227
Forest Board Repayment			
Sales	499,452	0	499,452
Operating transfer -out	(499,328)	0	(499,328)
Total trust activity	7,085,788	5,309,437	1,776,351
<u>Non-Trust Activity</u>			
STO interest	122,573	4,040	118,533
Other Revenue	829,625	0	829,625
Total non-trust activity	952,198	4,040	948,158
TOTAL	\$8,037,986	\$5,313,477	\$2,724,509

NORMAL SCHOOL TRUST

Source / Activity	Total Revenue	Capital Projects	Normal School Perman.	RMCA
<u>Trust Activity</u>				
Timber sales	\$1,780,175	\$0	\$1,335,135	\$445,040
Timber sales-related	9,716	0	5,287	4,429
Leases	77,064	56,277	1,521	19,266
Late interest	5,037	(97)	3,871	1,263
Fees/service charges	544	0	0	544
Operating transfer - in	1,597,098	0	1,198,249	398,849
Subtotal	3,469,634	56,180	2,544,063	869,391
Forest Board Repayment				
Sales	1,597,499	0	0	1,597,499
Operating transfer -out	(1,597,098)	0	0	(1,597,098)
Total trust activity	3,470,035	56,180	2,544,063	869,792
<u>Non-Trust Activity</u>				
STO interest	40,020	1,324	0	38,696
Land sales/trust land transfer	0	0	0	0
Other Revenue	(19,057)	0	0	(19,057)
Total non-trust activity	20,963	1,324	0	19,639
TOTAL	\$3,490,998	\$57,504	\$2,544,063	\$889,431

14 NON-TRUST REVENUE AND SALARY/INSURANCE/HEALTH

Non-trust revenue cannot be attributed to a specific trust. The largest portion of non-trust revenue includes compensation and cost of living adjustments (COLA). As per the Office of Financial Management, these adjustments are treated as reductions of revenue and corresponding reductions of expenditures in FDA, RMCA, ACTMA, and other funds.

15 NEGATIVE TRUST REVENUE

Negative revenue reflects accounting adjustments (such as bad-debt write-offs) in FY03 which reverse activity from a prior fiscal year.

16 TREASURER'S REVENUE

Due to the schedule for distributing revenue, revenue from Forest Board Lands may earn interest before it is distributed to the appropriate county. Interest earnings cannot be attributed specifically to Transfer Lands or Purchase Lands. This revenue is accounted for as treasurer's revenue and is distributed to the appropriate county.

17 UNIVERSITY TRUST - ORIGINAL, TRANSFERRED, REPAYMENT

The accounting for the University Trust combines activity from original University trust lands, lands which have been transferred to the trust, and the University Trust's share of interfund loan repayment as described in fiscal note #9.

The following is a breakdown of the different elements contributing to the information for University Grants on page 29.

Trust Source/Activity	Total Revenue	Bond Retirement	University Permanent	RMCA
University - Transferred				
Timber sales	\$438,776	\$0	\$329,082	\$109,694
Timber sales-related	264	0	233	31
Leases	189,910	0	142,433	47,477
Misc trespass	786	0	263	523
Late interest	(4,812)	0	141	(4,953)
Fees/service charges	5	0	0	5
Operating transfer - in	1,043,462	700,297	257,374	85,791
Operating transfer - out	(700,297)	0	(700,297)	0
Total	\$968,094	\$700,297	\$29,229	\$238,568
University - Original				
Timber sales	\$74,895	\$0	\$56,171	\$18,724
Leases	105,292	0	78,986	26,324
Late interest	48	0	36	12
Operating transfer - in	78,967	78,967	0	0
Operating transfer - out	(78,967)	0	(78,967)	0
Total	180,235	78,967	56,208	45,060
University Repayment				
Timber sales	\$365,785	\$0	\$0	\$365,785
Operating transfer - out	(343,166)	0	0	(343,166)
Total	\$22,619	\$0	40	\$22,619
Non-trust allocation				
STO interest	\$14,391	\$767	\$0	\$13,624
Non-trust revenue allocation	(6,710)	0	0	(6,710)
Total	\$7,681	\$767	\$0	\$6,914

'03

Total Department Revenues

'03

Many of DNR's activities generate revenue, whether for state trusts or for funds that support state programs, including those in DNR. Revenue is shown for the past two fiscal years for

comparison. Differences between the years reflect changes in market conditions, legal requirements, availability of resources, and other factors.

Revenue Source	FY 2003	FY 2002
Sales		
Timber sale removals	\$143,393	\$148,818
Timber sale-related activities ¹	478	691
Forest road assessments	8,918	7,185
Nursery seedling sales	1,900	2,315
Miscellaneous ¹	655	511
	<u>\$155,344</u>	<u>\$159,521</u>
Leases		
Agriculture	\$7,686	\$7,886
Aquatic	17,485	14,426
Commercial real estate	6,831	7,458
Mineral and hydrocarbon	1,181	1,105
Communication sites	2,630	2,960
Rights-of-way	1,392	2,121
Miscellaneous ¹	1,132	1,336
	<u>\$38,337</u>	<u>\$37,292</u>
Other Revenue		
Interest income ³	(\$403)	\$2,973
Fire assessments and cost reimbursement	2,588	8,755
Grants and contributions	17,346	9,478
Permits, fees, and related charges ²	2,647	2,261
Miscellaneous ³	2,027	132
	<u>\$24,205</u>	<u>\$23,599</u>
Total Revenue from Operations	<u>\$217,886</u>	<u>\$220,412</u>
Other Activity		
Trust land transfers ⁴	\$35,717	\$11,344
Land bank ⁵	6,346	59
	<u>\$42,063</u>	<u>\$11,402</u>
Total Revenue	<u>\$259,949</u>	<u>\$231,815</u>

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Total Department Expenditures

'03

DNR's expenditures reflect the diversity of the department's work. Land management activities are investments in the long-term health and productivity of the resources DNR manages.

Other activities support regulatory, assistance and resource protection programs, as well as general agency operation. Expenditures are shown for the past two fiscal years for

comparison. Differences between the years reflect changes in programs, legal requirements, salaries and benefits, inflation, and other factors.

Expenditures ¹	FY 2003	FY 2002
Operating		
Agricultural resources	\$1,392	\$1,392
Asset management & protection	6,566	6,867
Product sales & leasing	14,403	15,275
Land management	12,169	13,601
Aquatic resources	8,900	5,784
Administration	3,705	3,750
Interagency payments	7,961	7,934
Agency support	16,559	16,986
Geologic resources	2,320	2,452
Special employment services	4,395	4,553
Forest practices	9,656	9,313
Engineering services	12,488	10,786
Resource protection	17,188	15,385
Fire suppression	24,972	33,151
	<u>\$142,675</u>	<u>\$147,228</u>
Capital		
Radio system upgrade	\$934	\$829
Recreation	672	219
Aquatic resources projects	1,782	2,087
Real estate and property acquisition	57,704	19,493
Facilities	1,182	1,120
Small timber landowner program	3,977	740
Miscellaneous	1,902	185
	<u>\$68,152</u>	<u>\$24,673</u>
Total Expenditures	<u>\$210,826</u>	<u>\$171,901</u>

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Fund Activity

'03

DNR's fiscal activity includes generating revenue for a variety of funds and accounts, some of which benefit state trust

beneficiaries and some of which fund state programs, including DNR's. DNR's fiscal activity also includes expenditures supporting its work.

Some of the accounts that receive revenue from DNR or that fund DNR's expenditures are managed by DNR; others are managed by other agencies.

DNR-Administered Funds

Fund Title	Beginning Balance 7/1/02	Revenue	Expenditure	Ending Balance 6/30/03
Trust Management Accounts*				
Forest development (FDA)	\$25,763	\$20,060	(\$20,018)	\$25,805
Resource management (RMCA)	15,300	33,703	(35,114)	13,889
Agricultural college (ACTMA) ¹⁴	379	(32)	(76)	271
	<u>\$41,442</u>	<u>\$53,730</u>	<u>(\$55,207)</u>	<u>\$39,965</u>
Other DNR-Administered Funds				
Access road revolving	\$1,730	\$8,872	(\$8,882)	\$1,720
Surveys and maps	1,271	1,149	(1,171)	1,250
Landowner contingency forest fire ¹⁵	7,493	(211)	(1,436)	5,846
Park land trust revolving	1,036	18	(574)	480
Aquatic lands dredged material	357	319	(329)	347
Aquatic lands enhancement ⁷	N/A	10,594	(4,284)	N/A
Derelict vessel removal account ⁸	N/A	0	(124)	N/A
Conservation areas stewardship	145	9	(53)	100
School construction revolving	108	2	(52)	58
Surface mining reclamation	396	1,018	(1,070)	343
Real property replacement ⁴	23,697	10,917	(14,624)	19,991
Clarke-McNary	240	4,077	(4,088)	228
Forest fire protection assessments	5,265	4,311	(8,211)	1,364
State forest nursery	1,489	1,909	(2,035)	1,362
Off-road vehicle ⁶	N/A	(43)	(1,622)	N/A
	<u>\$43,227</u>	<u>\$42,940</u>	<u>(\$48,557)</u>	<u>\$33,089</u>
Total DNR-Administered Funds	<u>\$84,668</u>	<u>\$96,671</u>	<u>(\$103,765)</u>	<u>\$73,054</u>

Amounts are reported in thousands of dollars.

Totals may not add due to rounding.

N/A = not applicable

* These accounts fund DNR's management of state trust lands. Revenue may be carried over from year to year. As a result, any given year's expenditures do not necessarily correlate to that year's revenue. See pages 24, 26, 34, 36, and 38 for more detailed accounting. FDA and RMCA are funded through revenue generated from the lands whose management they support. ACTMA is not funded through such revenue, but instead through a legislative appropriation from the State General Fund.

See fiscal notes, pages 17-19.

Fund Activity (Continued)

'03

Funds Administered by Other Entities

Fund Title	Revenue	Expenditure	Net Fiscal Activity
Trust Current Funds ¹¹			
Common school construction	\$67,350	\$0	\$67,350
Community college forest reserve	78	(193)	(115)
WSU bond retirement	643	0	643
UW bond retirement	780	0	780
CEP&RI	4,075	0	4,075
EWU capital project	15	0	15
CWU capital project	15	0	15
WWU capital project	15	0	15
TESC capital project	11	0	11
Capitol building construction	5,313	0	5,313
Forest board counties	58,149	0	58,149
	<u>\$136,446</u>	<u>(\$193)</u>	<u>\$136,253</u>
Trust Permanent Funds ¹¹			
Agricultural college (WSU)	\$2,628	\$0	\$2,628
Normal school (EWU, CWU, WWU, TESC)	2,544	0	2,544
Common school (K-12)	525	0	525
Scientific (WSU)	3,348	0	3,348
State university (UW)	85	0	85
	<u>\$9,130</u>	<u>\$0</u>	<u>\$9,130</u>
Other Funds			
General fund	\$15,907	(\$60,476)	(\$44,568)
Salmon recovery ¹⁴	(1)	(474)	(474)
State building construction	28	(40,487)	(40,459)
Motor vehicle	1	0	1
Air pollution control	182	(183)	(1)
Water quality	47	(1,847)	(1,800)
Disaster response	0	(1,865)	(1,865)
State toxics control	2,184	(2,184)	0
Special retirement contribution increase ¹⁴	(646)	646	0
	<u>\$17,702</u>	<u>(\$106,869)</u>	<u>(\$89,167)</u>
Total other fiscal activity	<u>\$163,278</u>	<u>(\$107,062)</u>	<u>\$56,216</u>
Total all funds and activity ¹² (pages 22 & 23)	<u>\$259,949</u>	<u>(\$210,826)</u>	

Amounts are reported in thousands of dollars.
Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Resource Management Cost Account (RMCA) Upland + Aquatic

Revenue, Expenditures and Fund Balance

'03

The Resource Management Cost Account (RMCA) funds DNR's land management activities on state grant lands. DNR deposits a portion of the revenue it

generates from these lands into the account, and the Legislature appropriates funds from the account to DNR for expenditures. The RMCA can be used only for

land management expenses (e.g., reforestation, preparing timber sales or managing aquatic leases that support state grant lands).

Fund Balance (July 1, 2002)

\$15,299,673

RMCA Revenue

\$33,702,568

Less: Expenditures ¹

Agricultural resources	\$1,307,514
Asset management & protection	1,615,412
Product sales & leasing	8,278,713
Land management	5,231,570
Special employment services	912,899
Administration	842,927
Interagency payments	1,811,078
Agency support	4,002,270
Aquatic resources	4,638,961
Engineering services	930,044
Salary/insurance/health revolving fund ¹⁴	(698,168)
Total operating expenditures	\$28,873,220
Total capital expenditures	6,240,527

Total expenditures and other charges

35,113,746

RMCA Fund Balance (June 30, 2003)*

\$13,888,495

Totals may not add due to rounding.

** Timber sales are a major source of revenue from upland state grant lands. Several years of low timber prices have reduced revenue to the RMCA. Timber prices are projected to remain low over the next several years. DNR is working to bring expenditures and revenue in line with one another.*

See fiscal notes, pages 17-19.

State Grant Lands – Upland + Aquatic

'03

State grant lands (upland and aquatic) were granted to Washington at statehood by the federal government. Each upland parcel is assigned to a specific state trust dedicated to finan-

cially supporting a specific beneficiary (e.g., the Common School Trust supports construction of K-12 schools). The aquatic lands are designated as a public trust to benefit the public as a

whole. Income from state grant lands is divided among trust beneficiary accounts and the RMCA, which DNR uses to manage the lands.

REVENUE		DISTRIBUTION		
Source	Total All Funds	Trust Current Funds ¹⁰	Trust Permanent Funds ¹⁰	Resource Management Cost Account ^{13, 17}
Sales				
Timber sales ⁹	\$62,528,246	\$38,387,190	\$9,164,192	\$14,976,864
Timber sales-related activities ¹	302,480	208,643	16,674	77,163
Trust land transfers ⁴	25,425,999	25,425,999	0	0
Land sales (includes land bank) ⁵	6,346,480	0	0	6,346,480
	<u>\$94,603,205</u>	<u>\$64,021,832</u>	<u>\$9,180,866</u>	<u>\$21,400,507</u>
Leases				
Agriculture				
Dryland	\$2,668,176	\$1,792,098	\$229,839	\$646,239
Irrigated	4,386,567	3,216,829	87,824	1,081,914
Grazing and other	601,583	428,091	25,299	148,193
Aquatic lands	17,484,545	10,103,767	0	7,380,778
Special use	630,907	454,586	19,169	157,152
Commercial real estate	6,829,449	5,038,868	82,956	1,707,625
Mineral and hydrocarbon	1,079,225	664,451	88,856	325,918
Rights-of-way	1,056,568	327,643	355,393	373,532
Communication sites	1,792,118	1,014,096	341,775	436,247
Special forest products	249,188	173,479	13,626	62,083
	<u>\$36,778,326</u>	<u>\$23,213,908</u>	<u>\$1,244,737</u>	<u>\$12,319,681</u>
Other Revenue				
Interest income	\$550,522	\$115,308	\$7,684	\$427,530
Non-trust revenue ¹⁴	(714,095)	(12,431)	0	(701,664)
Operating transfer ¹⁰	23,427	1,419,624	(1,419,624)	23,472
Permits, fees, and miscellaneous ^{2, 3}	405,016	55,613	116,361	233,042
	<u>264,915</u>	<u>\$1,578,114</u>	<u>\$(1,295,579)</u>	<u>\$(17,620)</u>
Total Revenue	<u>\$131,646,446</u>	<u>\$88,813,854</u>	<u>\$9,130,024</u>	<u>\$33,702,568</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Resource Management Cost Account (RMCA) Upland

Revenue, Expenditures and Trust Balance

'03

This portion of the RMCA supports the land management of upland state grant lands, each of which supports a specific designated beneficiary.

Trust Balance (July 1, 2002)

\$13,482,143

RMCA Uplands Revenue

\$25,968,900

Less: Expenditures ¹

Agricultural resources	\$1,307,514
Asset management & protection	1,615,412
Product sales & leasing	8,278,713
Land management	5,231,570
Special employment services	912,899
Administration	640,451
Interagency payments	1,376,046
Agency support	2,862,059
Engineering services	930,044
Salary/insurance/health revolving fund ¹⁴	(523,627)

Total operating expenditures \$22,631,081

Total capital expenditures 6,240,527

Total expenditures and other charges

28,871,608

Trust Balance (June 30, 2003)*

\$10,579,435

Totals may not add due to rounding.

** Timber sales are a major source of revenue from upland state grant lands. Several years of low timber prices have reduced revenue to the RMCA. Timber prices are projected to remain low over the next several years. DNR is working to bring expenditures and revenue in line with one another.*

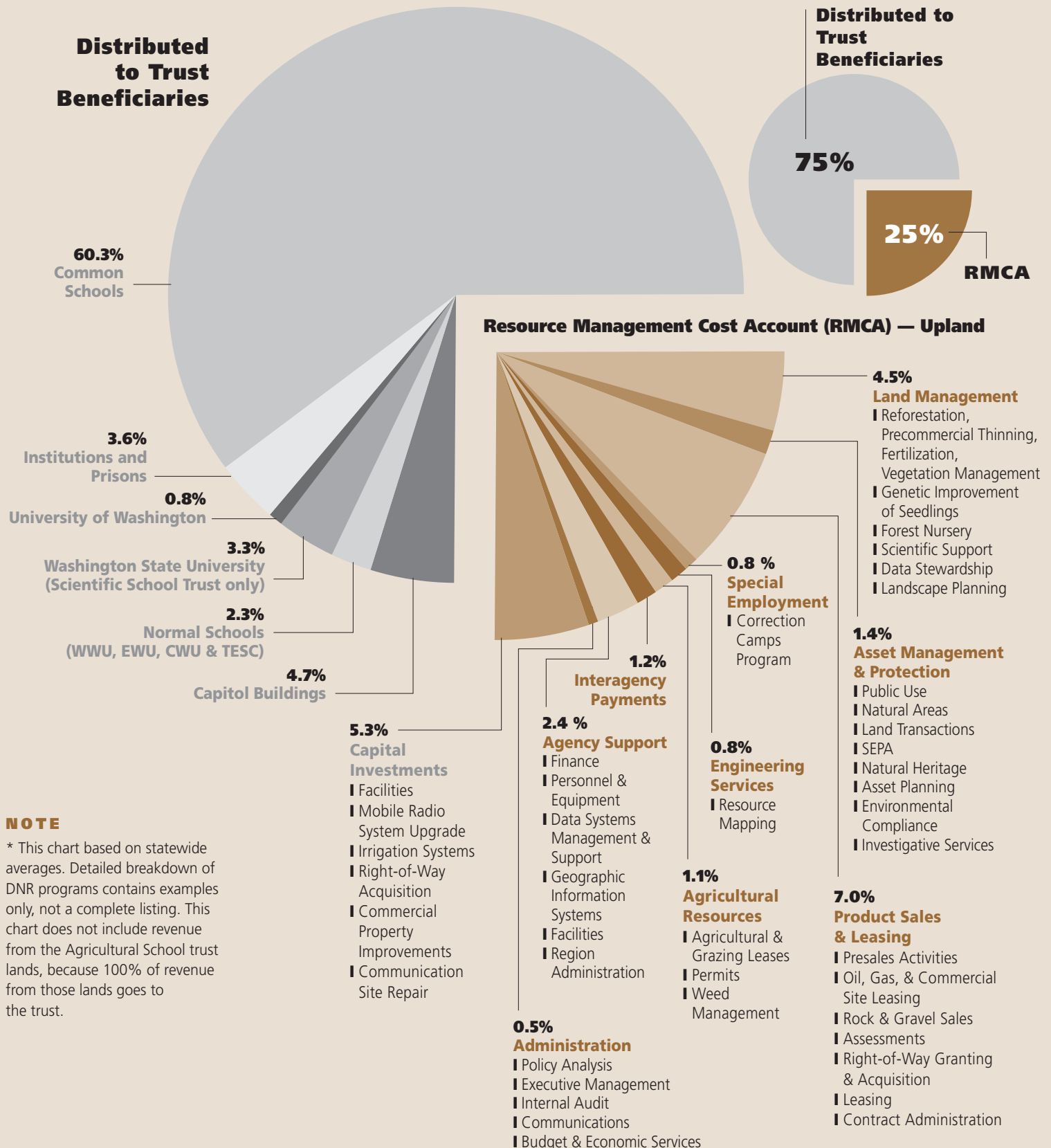
See fiscal notes, pages 17-19.

General* Distribution of Revenue from Upland State Grant Lands

Fiscal Year 2003

By law, each beneficiary of the upland state grant land trusts receives 75% of the revenue earned from its lands, and the remaining 25% goes to the RMCA to fund DNR's management of the lands. This chart shows the combined distribution, with each trust beneficiary's share proportional to its share of the

total revenue earned, and with the RMCA share divided among DNR's expenditures from the account for upland management activities. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future income for the trusts.



NOTE

* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing. This chart does not include revenue from the Agricultural School trust lands, because 100% of revenue from those lands goes to the trust.

Common School, Indemnity and Escheat Grants

'03

Income from these state grant lands and escheat lands (those with no known heirs) supports construction of state public kindergarten through 12th grade schools.

The beneficiary's share of income is distributed to the Common School Construction Account and the Common School Permanent Account, which generates

perpetual interest for the support of school construction. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION		
Source	Total Funds	Common School Construction	Common School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ⁹	\$39,926,443	\$29,944,600	\$0	\$9,981,843
Timber sales-related activities ¹	271,174	203,243	0	67,931
Trust land transfer ⁴	25,425,999	25,425,999	0	0
Land sales (includes land bank) ⁵	5,458,480	0	0	5,458,480
	<u>\$71,082,096</u>	<u>\$55,573,842</u>	<u>\$0</u>	<u>\$15,508,254</u>
Leases				
Agriculture				
Dryland	\$2,053,832	\$1,540,258	\$0	\$513,574
Irrigated	4,269,644	3,202,234	0	1,067,410
Grazing and other	549,894	412,421	0	137,473
Aquatic Lands	0	0	0	0
Special use	577,380	433,035	0	144,345
Commercial real estate	6,708,295	5,029,620	0	1,678,675
Mineral and hydrocarbon	231,281	87,316	86,145	57,820
Rights-of-way	482,625	39,648	322,321	120,656
Communication sites	1,118,472	825,538	0	292,934
Special forest products	203,954	152,915	0	51,039
	<u>\$16,195,377</u>	<u>\$11,722,985</u>	<u>\$408,466</u>	<u>\$4,063,926</u>
Other Revenue				
Interest income	\$95,820	\$50,987	0	\$44,833
Non-trust revenue ¹⁴	(433,598)	0	0	(433,598)
Operating transfer ¹⁰	328	0	0	328
Permits, fees, and miscellaneous ^{2, 3}	318,701	1,729	116,361	200,611
	<u>\$ (18,749)</u>	<u>\$52,716</u>	<u>\$116,361</u>	<u>(\$187,826)</u>
Total Revenue	<u>\$87,258,724</u>	<u>\$67,349,543</u>	<u>\$524,827</u>	<u>\$19,384,354</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

University Grants (UW) Original and Transferred

'03

Income from these state grant lands supports construction of buildings for the University of Washington. Some of these lands were acquired at the time of

statehood, and some lands were transferred to this trust from the CEP&RI trust by the Legislature in 1893. The beneficiary's share of income is distributed to the

University Permanent and UW Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION		
Source	Total Funds	UW Bond Retirement	State (UW) University Permanent	Resource Management Cost Account ¹⁷
Sales				
Timber sales ⁹	\$856,836	\$0	\$642,627	\$214,209
Timber sales-related activities ¹	1,050	0	496	554
Land sales (includes land bank)	0	0	0	0
	<u>\$857,886</u>	<u>\$0</u>	<u>\$643,123</u>	<u>\$214,763</u>
Leases				
Agriculture				
Dryland	\$148,548	\$0	\$111,411	\$37,137
Irrigated	0	0	0	0
Grazing and other	18,439	0	13,829	4,610
Aquatic lands	0	0	0	0
Special use	15,062	0	11,297	3,765
Commercial real estate	103,472	0	77,604	25,868
Mineral and hydrocarbon	199	0	149	50
Rights-of-way	4,552	0	3,414	1,138
Communication sites	0	0	0	0
Special forest products	4,930	0	3,697	1,233
	<u>\$295,202</u>	<u>\$0</u>	<u>\$221,401</u>	<u>\$73,801</u>
Other Revenue				
Interest income	\$9,627	\$767	\$177	\$8,683
Non-trust revenue ¹⁴	(6,710)	0	0	(6,710)
Operating transfer ¹⁰	22,619	779,264	(779,264)	22,619
Permits, fees, and miscellaneous ^{2, 3}	5	0	0	5
	<u>\$25,541</u>	<u>\$780,031</u>	<u>(\$779,087)</u>	<u>24,597</u>
Total Revenue	<u>\$1,178,629</u>	<u>\$780,031</u>	<u>\$85,437</u>	<u>\$313,161</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Charitable, Educational, Penal and Reformatory Institutions Grant (CEP&RI)

'03

Income from these state grant lands is used to establish and maintain institutions managed by the Department of Corrections (such as prisons) and the

Department of Social and Health Services (such as Western State Hospital). The beneficiary's share of income is distributed to the CEP&RI Account.

REVENUE		DISTRIBUTION	
Source	Total Funds	CEP&RI Account	Resource Management Cost Account
Sales			
Timber sales	\$4,344,191	\$3,258,143	\$1,086,048
Timber sales-related activities ¹	79	59	20
Land sales (includes land bank)	0	0	0
	<u>\$4,344,270</u>	<u>\$3,258,202</u>	<u>\$1,086,068</u>
Leases			
Agriculture			
Dryland	\$248,419	\$186,314	\$62,105
Irrigated	0	0	0
Grazing and other	10,725	8,044	2,681
Aquatic lands	0	0	0
Special use	5,316	3,987	1,329
Commercial real estate	11,150	8,363	2,787
Mineral and hydrocarbon	579,225	434,419	144,806
Rights-of-way	19,924	14,943	4,981
Communication sites	200,816	150,169	50,647
Special forest products	10,345	7,759	2,586
	<u>\$1,085,920</u>	<u>\$813,998</u>	<u>\$271,922</u>
Other Revenue			
Interest income	\$64,545	\$3,266	\$61,279
Non-trust revenue ¹⁴	(29,790)	0	(29,790)
Operating transfer	0	0	0
Permits, fees, and miscellaneous ^{2, 3}	914	0	914
	<u>\$35,669</u>	<u>\$3,266</u>	<u>\$32,403</u>
Total Revenue	<u>\$5,465,859</u>	<u>\$4,075,466</u>	<u>\$1,390,393</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Capitol Building Grant

'03

Income from these state grant lands supports construction of state government office buildings at the Capitol Campus in Olympia.

The beneficiary's share of income is distributed to the Capitol Building Construction Account.

REVENUE		DISTRIBUTION	
Source	Total Funds	Capitol Building Construction	Resource Management Cost Account ¹³
Sales			
Timber sales ⁹	\$6,912,823	\$5,184,447	\$1,728,376
Timber sales-related activities ¹	8,813	5,341	3,472
Land sales (includes land bank) ⁵	888,000	0	888,000
	<u>\$7,809,636</u>	<u>\$5,189,788</u>	<u>\$2,619,848</u>
Leases			
Agriculture			
Dryland	\$52,399	\$39,299	\$13,100
Irrigated	0	0	0
Grazing and other	3,403	2,552	851
Aquatic lands	0	0	0
Special use	17,028	12,771	4,257
Commercial real estate	1,180	885	295
Mineral and hydrocarbon	11,811	8,858	2,953
Rights-of-way	12,140	9,105	3,035
Communication sites	51,885	38,389	13,496
Special forest products	9,783	7,337	2,446
	<u>\$159,629</u>	<u>\$119,196</u>	<u>\$40,433</u>
Other Revenue			
Interest income	\$123,178	\$4,493	\$118,685
Non-trust revenue ¹⁴	(58,375)	0	(58,375)
Operating transfer ¹⁰	124	0	124
Permits, fees, and miscellaneous ^{2, 3}	3,794	0	3,794
	<u>\$68,721</u>	<u>\$4,493</u>	<u>\$64,228</u>
Total Revenue	<u>\$8,037,986</u>	<u>\$5,313,477</u>	<u>\$2,724,509</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Normal School Grant (EWU, CWU, WWU and TESC)

'03

Income from these state grant lands supports construction at Eastern Washington University, Central Washington University and Western Washington University (regional universities).

These three universities were originally called "normal" schools or "teachers' colleges." The Evergreen State College was added by the Legislature to begin receiving revenue after July 1, 1995.

The beneficiary's share of income is distributed to the Normal School Permanent Account and capital project accounts for each university. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION		
Source	Total Funds	EWU, CWU WWU, TESC Capital Projects	Normal School Permanent	Resource Management Cost Account ¹³
Sales				
Timber sales ⁹	\$3,377,273	\$0	\$2,533,384	\$843,889
Timber sales-related activities ¹	9,716	0	5,287	4,429
Land sales (includes land bank) ⁵	0	0	0	0
	<u>\$3,386,989</u>	<u>\$0</u>	<u>\$2,538,671</u>	<u>\$848,318</u>
Leases				
Agriculture				
Dryland	\$34,969	\$26,227	\$0	\$8,742
Irrigated	19,460	14,595	0	4,865
Grazing and other	6,765	5,074	0	1,691
Aquatic lands	0	0	0	0
Special use	6,391	4,793	0	1,598
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	160	120	0	40
Rights-of-way	2,028	0	1,521	507
Communication sites	0	0	0	0
Special forest products	7,291	5,468	0	1,823
	<u>\$77,064</u>	<u>\$56,277</u>	<u>\$1,521</u>	<u>\$19,266</u>
Other Revenue				
Interest income	\$45,058	\$1,228	\$3,871	\$39,959
Non-trust revenue ¹⁴	(19,057)	0	0	(19,057)
Operating transfer ¹⁰	401	0	0	401
Permits, fees, and miscellaneous ^{2, 3}	544	0	0	544
	<u>\$26,946</u>	<u>\$1,228</u>	<u>\$3,871</u>	<u>\$21,847</u>
Total Revenue	<u>\$3,490,999</u>	<u>\$57,505</u>	<u>\$2,544,063</u>	<u>\$889,431</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Scientific School Grant (WSU)

'03

Income from these state grant lands supports construction of buildings at Washington State University. The beneficiary's share of income is distributed to the

Scientific School Permanent and the WSU Bond Retirement accounts. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION		
Source	Total Funds	WSU Bond Retirement	Scientific Permanent	Resource Management Cost Account
Sales				
Timber sales	\$4,489,997	\$0	\$3,367,498	\$1,122,499
Timber sales-related activities ¹	833	0	76	757
Land sales (includes land bank)	0	0	0	0
	<u>\$4,490,830</u>	<u>\$0</u>	<u>\$3,367,574</u>	<u>\$1,123,256</u>
Leases				
Agriculture				
Dryland	\$46,323	\$0	\$34,742	\$11,581
Irrigated	38,557	0	28,918	9,639
Grazing and other	3,548	0	2,661	887
Aquatic lands	0	0	0	0
Special use	7,434	0	5,576	1,858
Commercial real estate	0	0	0	0
Mineral and hydrocarbon	1,549	0	1,162	387
Rights-of-way	33,537	0	25,153	8,384
Communication sites	316,680	0	237,510	79,170
Special forest products	11,825	0	8,869	2,956
	<u>\$459,453</u>	<u>\$0</u>	<u>\$344,591</u>	<u>\$114,862</u>
Other Revenue				
Interest income	\$60,594	\$1,716	\$2,815	\$56,063
Non-trust revenue ¹⁴	(27,148)	0	0	(27,148)
Operating transfer ¹⁰	0	367,176	(367,176)	0
Permits, fees, and miscellaneous ^{2, 3}	20	0	0	20
	<u>\$33,466</u>	<u>\$368,892</u>	<u>(\$364,361)</u>	<u>\$28,935</u>
Total Revenue	<u>\$4,983,749</u>	<u>\$368,892</u>	<u>\$3,347,804</u>	<u>\$1,267,053</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Agricultural College Trust Management Account (ACTMA)

Revenue, Expenditures and Fund Balance

'03

This account funds DNR's management of the Agricultural College trust lands. The ACTMA is funded through an appropriation from the state General Fund.

(As of July 1, 1999, Agricultural College trust lands do not contribute to the RMCA, which supports DNR's management of other state grant lands.)

Fund Balance (July 1, 2002)

\$378,168

Revenue

(31,866)

Less: Expenditures ¹

Agricultural resources	\$53,900
Asset management & protection	56,811
Product sales & leasing	219,824
Land management	179,448
Special employment services	13,379
Administration	9,291
Interagency payments	19,963
Agency support	41,520
Engineering Services	24,945
Salary/insurance/health revolving fund ¹⁴	(29,335)

Total operating expenditures

\$589,746

Transfer to General Fund

(590,590)

Total capital expenditures

76,763

Total expenditures and other charges

75,919

ACTMA Fund Balance (June 30, 2003)

\$270,383

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Agricultural School Grant (WSU)

'03

Income from these state grant lands supports construction of Washington State University's buildings. All revenue from these lands is income for the trust, and is divided between

the Agricultural College Permanent account and the WSU Bond Retirement Account. This distribution varies by activity and is governed by law.

REVENUE		DISTRIBUTION	
Source	Total Funds	WSU Bond Retirement	Agricultural College Permanent
Sales			
Timber sales	\$2,620,683	\$0	\$2,620,683
Timber sales-related activities ¹	10,815	0	10,815
Land sales (includes land bank)	0	0	0
	<u>\$2,631,498</u>	<u>\$0</u>	<u>\$2,631,498</u>
Leases			
Agriculture			
Dryland	\$83,686	\$0	\$83,686
Irrigated	58,906	0	58,906
Grazing and other	8,809	0	8,809
Aquatic lands	0	0	0
Special use	2,296	0	2,296
Commercial real estate	5,352	0	5,352
Mineral and hydrocarbon	1,400	0	1,400
Rights-of-way	2,984	0	2,984
Communication sites	104,265	0	104,265
Special forest products	1,060	0	1,060
	<u>\$268,758</u>	<u>\$0</u>	<u>\$268,758</u>
Other Revenue			
Interest income	\$2,097	\$1,276	\$821
Non-trust revenue ¹⁴	0	0	0
Operating transfer ¹⁰	0	273,184	(273,184)
Permits, fees, and miscellaneous ^{2, 3}	0	0	0
	<u>\$2,097</u>	<u>\$274,460</u>	<u>(\$272,363)</u>
Total Revenue	<u>\$2,902,353</u>	<u>\$274,460</u>	<u>\$2,627,893</u>

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Aquatic Lands

'03

State-owned aquatic lands (tidelands, shorelands and beds of navigable waters) are a "public trust" – managed to benefit the public as a whole. Revenue from these state grant lands is divided

between two accounts: The RMCA-aquatic supports DNR's management of state aquatic lands and resources, and the ALEA provides for the purchase, improvement and

protection of aquatic lands, largely through grants to public entities. Distribution varies according to activity and land classification, and is governed by law.

REVENUE		DISTRIBUTION	
Source	Total Funds	Aquatic Lands Enhancement	Resource Management Cost Account ¹³
Aquatic Resources Activities			
Leases			
Geoduck leases	\$10,394,658	5,197,329	5,197,329
Other leases	7,089,887	4,906,438	2,138,449
Mineral and hydrocarbon	253,600	133,738	119,862
Rights-of-way	498,778	263,947	234,831
Interest income	149,604	51,576	98,028
Non-trust revenue ¹⁴	(139,417)	(12,431)	(126,986)
Miscellaneous ¹	81,038	53,884	27,154
Total Revenue	<u>\$18,328,148</u>	<u>\$10,594,481</u>	<u>\$7,733,667</u>

RMCA – Aquatic

Revenue, Expenditures and Trust Balance

Trust Balance (July 1, 2002)	\$1,817,530
RMCA Aquatic Revenue	
	7,733,668
Less: Expenditures ¹	
Aquatic resources	\$4,638,961
Administration	202,476
Interagency payments	435,032
Agency support	1,140,211
Salary/insurance/health revolving fund ¹⁴	(174,542)
Total expenditures and other charges	<u>6,242,138</u>
Trust Balance (June 30, 2003)	<u>\$3,309,060</u>

Totals may not add due to rounding.

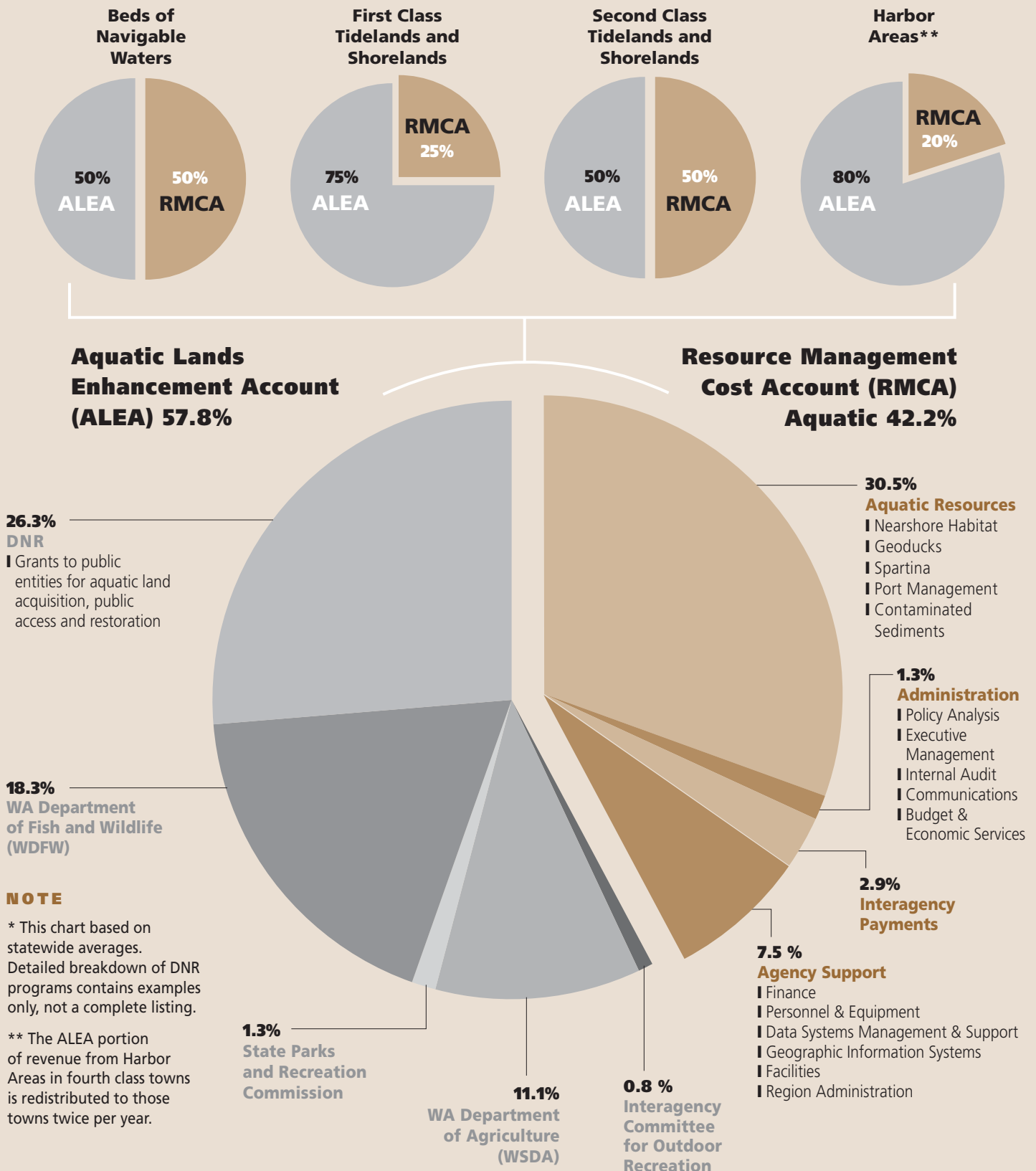
See fiscal notes, pages 17-19.

General* Distribution of Revenue from State-Owned Aquatic Lands

Fiscal Year 2003

By law, revenue from state-owned Aquatic Lands goes to the ALEA for aquatic resource enhancement and to the RMCA to fund DNR's management of state aquatic lands. Distribution differs for different types of aquatic land — see the small pie charts. The large pie chart shows the

combined total distribution, with the ALEA share divided among recipient agencies, and the RMCA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the submerged lands productive.



Forest Development Account (FDA)

Revenue, Expenditures and Fund Balance

'03

The FDA funds DNR's land management activities on Forest Board Lands in 21 counties. DNR deposits a portion of the revenue it generates from these lands into the FDA, and the legislature appropriates funds from the account to DNR for expenditures. The FDA is used for land management expenses (e.g., reforestation, preparing timber sales) on Forest Board lands.

Fund Balance (July 1, 2002)		\$25,762,958
FDA Revenue		20,059,795
Less: Expenditures ¹		
Agricultural resources	\$7,403	
Asset management & protection	1,025,121	
Product sales & leasing	5,859,440	
Land management	4,481,276	
Special employment services	1,171,642	
Administration	560,754	
Interagency payments	1,204,812	
Agency support	2,505,905	
Engineering services	2,808,485	
Salary/insurance/health revolving fund ¹⁴	(351,241)	
Total operating expenditures	\$19,273,596	
Total capital expenditures	744,141	
Total expenditures and other charges		20,017,737
FDA Fund Balance (June 30, 2003)		<u>\$25,805,016</u>

Totals may not add due to rounding.

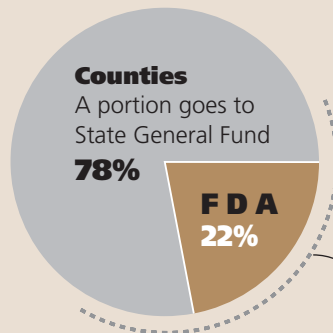
See fiscal notes, pages 17-19.

General* Distribution of Revenue from State Forest Board Lands

Fiscal Year 2003

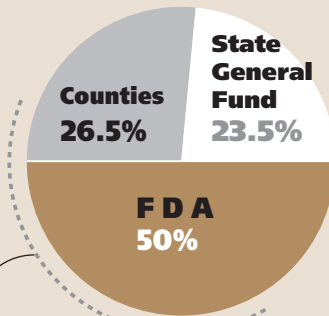
Forest Board Transfer**

546,100 acres



Forest Board Purchase

79,400 acres

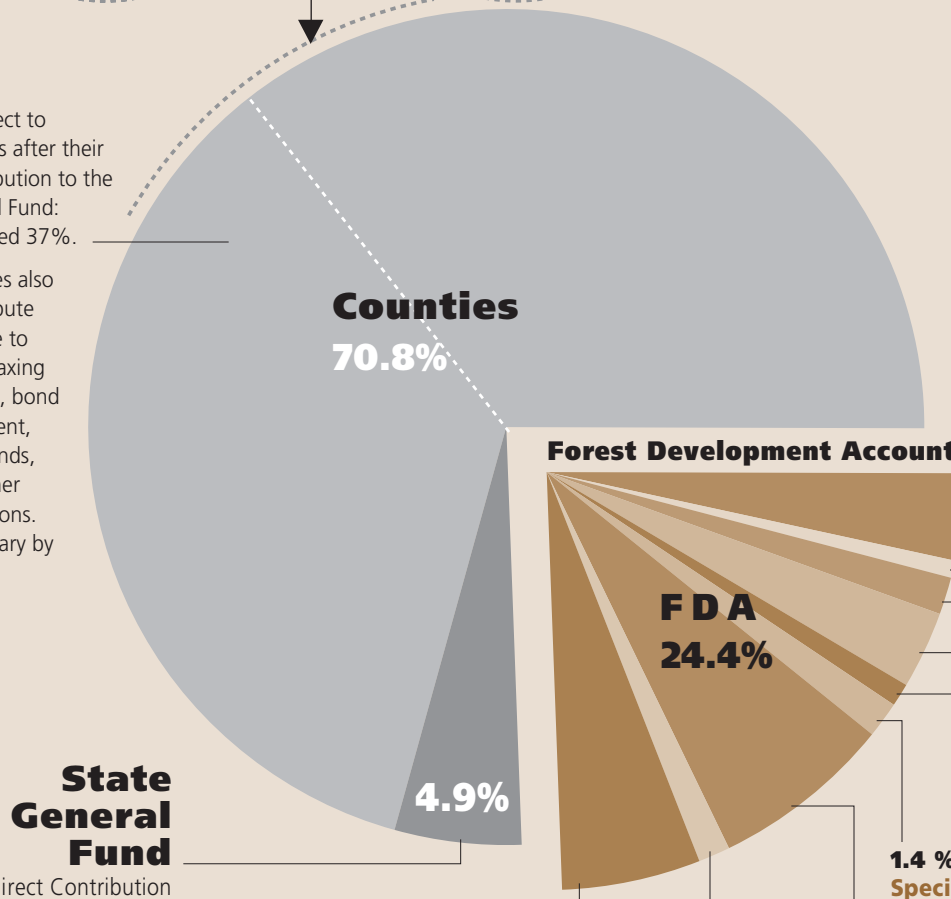


By law, revenue from Forest Board Lands goes to the county in which the land is located, the State General Fund for the support of Common Schools, and the FDA to fund DNR's management of the lands. Distribution differs for Transfer lands and Purchase lands - see the small pie charts.

The large pie chart shows the combined total distribution for FY 03, with the FDA share divided among DNR's expenditures from the account. Expenditures are appropriated by the Legislature and are ongoing investments to keep the lands productive and to generate future revenue.

Net effect to counties after their redistribution to the General Fund: Estimated 37%.

Counties also redistribute revenue to junior taxing districts, bond retirement, road funds, and other obligations. These vary by county.



NOTE

* This chart based on statewide averages. Detailed breakdown of DNR programs contains examples only, not a complete listing.

** Under Board of Natural Resources resolution #97-919, this distribution of revenue will remain in effect until the fund balance reaches six months' operating expenses, at which time DNR is authorized to reinstate the statutory maximum FDA distribution rate (25% FDA / 75% county).

- 5.4% Land Management**
- Reforestation, Precommercial Thinning, Fertilization, Vegetation Management
 - Genetic Improvement of Seedlings
 - Forest Nursery
 - Scientific Support
 - Data Stewardship
 - Landscape Planning

- 1.2% Asset Management and Protection**
- Public Use
 - Natural Areas
 - Land Transactions
 - SEPA
 - Natural Heritage
 - Asset Planning
 - Environmental Compliance
 - Investigative Services

- 7.0% Product Sales & Leasing**
- Presales Activities
 - Oil, Gas, & Commercial Site Leasing
 - Rock & Gravel Sales
 - Assessments
 - Right-of-Way Granting & Acquisition
 - Leasing
 - Contract Administration

- 3.4% Engineering Services**
- Resource Mapping
- 0.7% Administration**
- Policy Analysis
 - Executive Management
 - Internal Audit
 - Communications
 - Budget and Economic Services
- 1.4% Interagency Payments**
- 3.0% Agency Support**
- Finance
 - Personnel and Equipment
 - Data Systems Management and Support
 - Geographic Information Systems
 - Facilities
 - Region Administration

- 0.9% Capital Investments**
- Communication Site Repair
 - Right-of-Way Acquisition
 - Facilities
 - Mobile Radio System Upgrade
 - Blanchard Mountain Asset Evaluation

Forest Board Lands

'03

Income from these lands is distributed to the counties in which the lands are located, the state General Fund for the support of common schools, and the Forest Development Account (FDA) for DNR's land manage-

ment expenses on these lands. There are two categories of Forest Board lands: Purchase lands and Transfer lands.

Forest Board Purchase lands were given to the state or purchased by the state at low

cost. The FDA receives half the income from these lands. The other half is divided between the respective county and the state General Fund for the support of common schools.

REVENUE		CONTRIBUTING LANDS	
Source	Total	Forest Board Transfer	Forest Board Purchase
Sales			
Timber sales	\$80,738,004	\$67,914,227	\$12,823,776
Timber sales-related activities ¹	170,913	162,049	8,864
	<u>\$80,908,917</u>	<u>\$68,076,276</u>	<u>\$12,832,640</u>
Leases			
Agriculture/minor forest products	\$181,799	\$155,110	\$26,689
Commercial/special use	66,915	58,359	8,556
Mineral and hydrocarbon	101,498	97,649	3,849
Rights-of-way	328,317	216,641	111,676
Communication sites	835,977	483,842	352,135
	<u>\$1,514,506</u>	<u>\$1,011,601</u>	<u>\$502,905</u>
Other Revenue			
Interest income	\$18,542	\$18,024	\$518
Permits, fees, and miscellaneous ^{2, 3}	129,024	128,302	722
Treasurer's revenue ¹⁶	38,974	N/A	N/A
FDA non-trust revenue ¹⁴	(367,350)	N/A	N/A
	<u>(\$180,811)</u>	<u>\$146,326</u>	<u>\$1,240</u>
Total Revenue	<u>\$82,242,612</u>	<u>\$69,234,203</u>	<u>\$13,336,785</u>

N/A— not applicable.

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

Forest Board Lands (Continued)

Forest Board Transfer lands were forfeited to the counties in which they were located when the private landowners failed to pay property taxes, primarily in the 1920s and 1930s. The counties turned the lands over to

the state. DNR now manages these lands and distributes at least 75 percent of the income to the counties and up to 25 percent of the income to the FDA. (As of July 1, 1997, under Board of Natural Resources resolution

#97-919, the amount distributed to the counties increased to 78 percent, and the amount distributed to the FDA was reduced to 22 percent. This change will remain in effect until the fund balance in FDA reaches

an amount equal to operating expenses for six months, at which time DNR is authorized to reinstate the statutory maximum distribution to the FDA: 25 percent.)

REVENUE DISTRIBUTION		CONTRIBUTING LANDS	
Recipient	Total	Forest Board Transfer	Forest Board Purchase
County			
Clallam	\$3,454,487	\$3,454,487	\$0
Clark	2,691,300	2,691,291	9
Cowlitz	2,728,520	2,664,383	64,137
Grays Harbor	2,283,348	268,927	2,014,421
Jefferson	1,687,634	1,687,634	0
King	2,474,704	2,474,704	0
Kitsap	59,831	41,758	18,073
Klickitat	1,244,132	1,244,106	26
Lewis	2,917,973	2,917,949	24
Mason	1,724,689	1,353,487	371,202
Okanogan	28	28	0
Pacific	1,606,056	1,550,245	55,811
Pierce	3,011,231	2,745,322	265,909
Skagit	9,624,168	9,624,168	0
Skamania	90,886	61,497	29,389
Snohomish	9,208,205	9,208,205	0
Stevens	33,870	33,870	0
Thurston	4,461,795	2,982,692	1,479,103
Wahkiakum	1,956,250	1,956,250	0
Whatcom	6,889,745	6,883,510	6,235
Treasurer's revenue ¹⁶	38,974	N/A	N/A
	<u>\$58,187,826</u>	<u>\$53,844,513</u>	<u>\$4,304,339</u>
Forest Development Account			
Trust activity	\$20,294,212	\$15,257,484	\$5,036,728
Permits, fees, and miscellaneous ^{2, 3}	132,933	132,207	726
FDA non-trust revenue ¹⁴	(367,350)	N/A	N/A
	<u>\$20,059,795</u>	<u>\$15,389,691</u>	<u>\$5,037,454</u>
General Fund - State	<u>\$3,994,992</u>	<u>N/A*</u>	<u>\$3,994,992</u>
Total Revenue	<u>\$82,242,612</u>	<u>\$69,234,204</u>	<u>\$13,336,785</u>

N/A—*not applicable*.

* *Income from Forest Board Transfer lands is not directly distributed to the State General Fund.*

However, counties redistribute a portion of their share of income from these lands to the fund.

Totals may not add due to rounding.

See fiscal notes, pages 17-19.

State Trust Lands Management Fund Accounting Report

'03

STATUTORY AUTHORITY AND REQUIREMENTS

Subject to legislative appropriation, the Department of Natural Resources is authorized by RCW's 79.64.100 and 79.64.030 to use funds from the Resource Management Cost Account (RMCA) and Forest Development Account (FDA) interchangeably in the management of State Grant Lands and State Forest Board Lands. The law also states, however, that an annual accounting will be kept of payments made by one fund on behalf of another. For example when RMCA funds are used to pay for activities on Forest Board Land, it shall be considered a debt against the FDA. RCW 79.64.030 also requires that the results of the accounting be reported to the legislature at the next regular session.

ACCOUNTING PROCEDURES

Beginning with fiscal year 1996, the following Cost Allocation System accounting procedures have been used to calculate any debt or loan between the management funds:

- A.** All operating program expenditures that can be determined to benefit a particular land category are directly charged to that land category.
- B.** Expenditures for majority of the department's operating programs for which the benefiting land category cannot be determined (indirect expenditures) are allocated to land categories based on staff month percentages derived from personnel time charged directly to those land categories or on the percentage of Western Washington forested acres that DNR manages for each land category.
- C.** Capital outlay expenditures that benefit particular land categories are determined in advance then charged by land category in the ratio set by appropriations for each category.
- D.** Agency Administration and Support costs are allocated to land category based on Agency work plans for the year as established during the budget process.
- E.** Direct charges and indirect charges are totaled by land category within the Cost Allocation System. Expenditures paid from the RMCA and FDA accounts are compared to these total charges for Grant Lands and Forest Board Lands to determine how much of the charges were paid from one account on behalf of the other. If RMCA funds were used to pay Forest Board charges, a debt principal is incurred in that amount. If Forest Board funds were used to pay RMCA charges, the debt principal is reduced by that amount. Funding adjustments may be made periodically during the fiscal year to align expenditures by fund with total charges for Grant Lands and Forest Board Lands to prevent the accumulation of any new debt in the year.
- F.** As required by law, interest is charged on the debt incurred. A full year's interest is charged on cumulative debt carried from the previous year. One half year's interest is calculated on the change in the debt principal occurring during the current year.
- G.** Cumulative debt from the preceding year, plus new principal and interest charges are totaled to determine the new cumulative debt.

RMCA/FDA DEBT/LOAN ACCOUNTING FOR FISCAL YEAR 2003

	Grant Lands	Forest Board Lands
FY03 Trust Charges	\$35,113,746	\$20,017,737
RMCA Expenditures	35,113,746	—
FDA Expenditures	—	20,017,737
Cumulative Debt/Loan	0	0

FISCAL YEAR 2003 MANAGEMENT FUND DEBT STATUS

As of June 30, 2003, no debt exists between the Forest Board Lands (Forest Development Account) and the Grant Lands (Resource Management Cost Account).